

Message Text

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C O N F I D E N T I A L SAN SALVADOR 2430

STADIS////////////////////////////////

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SUBJ: TEXTILE: USG-GOES BILATERAL AGREEMENT

REF: (A) STATE 136604, (B) SAN SALVADOR 2163 (C) SAN SALVADOR 1396

(D) SAN SALVADOR 1036

GENEVA FOR PHELAN

1. I CALLED ON FOREIGN MINISTER BORGONOVO THE MORNING OF JUNE 17 AND CONVEYED TO HIM THE SUBSTANCE OF REF A. IN PARTICULAR I EMPHASIZED THAT WHILE WE ARE AWARE OF THE PRESSURES BEING BROUGHT ON THE GOES, WE BELIEVE THAT FURTHER EXTENDED DELAYS IN CONCLUDING FORMAL TEXTILE BILATERAL AGREEMENT ARE NOT WARRANTED. I REITERATED OUR BELIEF THAT THE BILATERAL AGREEMENT NEGOTIATED LAST JANUARY IS FAVORABLE TO EL SALVADOR AND WENT ON TO STATE EMPHATICALLY THAT WE ARE NOT WILLING TO ENTER INTO A MAJOR RENEGOTIATION OF THAT AGREEMENT. AS MENTIONED IN PARA 3 REF A, I DID SUGGEST THAT WE WILL BE PREPARED TO DISCUSS THE FINDINGS OF THE GOES STUDY OF THE TEXTILE INDUSTRY BUT CAREFULLY DESCRIBED THIS AS A "DISCUSSION OF POSSIBLE MINOR ADJUSTMENT OR COSMETIC CHANGES", NOT AS RENEWED NEGOTIATION OF BASICS.

2. BORGONOVO REPLIED BY DESCRIBING THE PROBLEM AS MAINLY ONE OF DIFFERING OPINIONS WITHIN THE GOES. HE INDICATED THAT THE FOREIGN MINISTRY SUPPORTS CONCLUDING THE AGREEMENT AS IT IS, BUT OPPOSITION IS COMING FROM THE MINISTRY OF ECONOMY AND INSTITUTE OF FOREIGN
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COMMERCE. WITH RENEGOTIATION UNACCEPTABLE TO US, I POINTED OUT

OUR ALTERNATIVES: CONCLUDE THE AGREEMENT AS NEGOTIATED LEAVING THE GOES AT LIBERTY TO ASK FOR CONSULTATION WHENEVER IT WISHES; REVIEW THE GOES STUDY AND POSSIBLY MEET TO DISCUSS IT, IMPLICITLY WITH MINOR ADJUSTMENTS POSSIBLE; OR NOT CLUDE AN AGREEMENT, AND APPROACH WHICH WOULD PROBABLY CAUSE THE U.S. TO INVOKE UNILATERAL RESTRAINTS UNDER ARTICLE 3 OF THE MFA. I FURTHER COMMENTED THAT THE ENTIRE PROCESS HAS BEEN DRAWN OUT FAR TOO LONG NOW AND TOLD THE MINISTER WE WISH TO COMPLETE THE PROCESS BY THE END OF THIS JUNE.

3. THE MINISTER NOTED MY REQUEST FOR RESOLUTION BY THE END OF JUNE AND PROMISED TO MAKE AN EFFORT TO MOVE THE GOES TOWARDS A DECISION, ALTHOUGH IT MAY REQUIRE PLACING THE PROBLEM AND CONFLICTING INTERNAL GOES POINTS OF VIEW BEFORE THE PRESIDENT FOR FINAL DETERMINATION.

4. TIMOTHY BROWN AND RALPH WINSTANLEY ACCOMPANIED ME ON MY VISIT WITH BORGONOVO. BROWN HAS ALSO HAD SEPARATE DISCUSSIONS WITH MANUEL GUTIERREZ RUIS, DIRECTOR OF AMERICAN AFFAIRS IN THE FONOFF, AND CLYDE TAYLOR HAS HAD CONVERSATIONS WITH ALFREDO MILIAN OF THE ISCE AND DEPUTY FONMIN CASTANEDA.

5. DURING THEIR CONVERSATIONS WITH BROWN AND TAYLOR BOTH GUTIERREZ AND MILIAN INTERPRETED OUR WILLINGNESS TO DISCUSS MINOR READJUSTMENTS AS AN AGREEMENT TO RENEGOTIATE. THIS MISUNDERSTANDING HOPEFULLY WAS RESOLVED DURING DISCUSSIONS WITH BORGONOVO AND CASTANEDA, BOTH OF WHOM ARE NOW FULLY AWARE THAT WHILE WE HAVE NOT EXCLUDED SOME FURTHER DISCUSSION, WE DO NOT INTEND TO FORMALLY RENEGOTIATE.

FYI: CASTANEDA WAS ALSO DISTURBED BY MILIAN' IMPLICIT ACCUSATION THAT THE U.S HAD NOT NEGOTIATED IN GOOD FAITH AND HAD TAKEN UNFAIR ADVANTAGE OF SALVADORANS. HE COMMENTED THAT QUOTE MILIAN IS NOT MAKING TEXTILE POLICY UNQUOTE. HOWEVER, ON ANOTHER OCCASION, CASTANEDA MENTIONED THAT HE TOOK A COPY OF THE U.S.-ES MEMORANDUM OF UNDERSTANDING ON TEXTILES WITH HIM ON A RECENT TRIP TO THE FAR EAST. AFTER REVIEWING THE MEMORANDUM, KOREAN (ROK) GOVERNMENT OFFICIALS TOLD CASTANEDA THAT EL SALVADOR HAD BEEN TREATED POORLY BY THE U.S. IN THE AGREEMENT. IT SHOULD ALSO BE NOTED THAT MILIAN VISITED GENEVA IN MAY AND CLAIMS TO HAVE OBTAINED INFORMATION ON OTHER U.S. BILATERALS. BASED ON TEN AGREEMENTS IN HIS POSSESSION, CONFIDENTIAL

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MILIAN INSISTS THAT THE U.S.- ES BILATERAL IS NOT AS FAVORABLE AS OTHERS. HE IS CONVINCED EL SALVADOR WOULD DO BETTER BY FORCING THE ISSUE TO A HEAD IN GENEVA WHERE HE BELIEVES THEY CAN OBTAIN A MORE FAVORABLE DETERMINATION.

6. IT HAS NOT YET BEEN POSSIBLE TO OBTAIN A COPY OF THE LONG AWAITED GOES STUDY OF SALVADOR'S TEXTILE INDUSTRY. YESTERDAY GUTIERREZ INFORMED BROWN THAT THE STUDY HAS NOT YET BEEN COMPLETED.

TODAY THE MINISTER WAS UNDER THE IMPRESSION THAT IS HAS BEEN COMPLETED, BUT HE HAD NOT YET SEEN A COPY. AS WILL BE RECALLED, THIS STUDY WAS QUOTE ESSENTIALLY COMPLETED UNQUOTE IN MID-APRIL (SEE SAN SALVADOR 1514) BUT WAS STATISTICALLY OF DUBIOUS QUALITY. WE HAVE CONTINUED TO INSIST AT ALL LEVELS THAT THE ESSENTIAL BASE FOR ANY AGREEMENT MUST BE ACTUAL HISTORICAL TRADE DATA, NOT PROJECTIONS OF CAPACITY, PLANNED SALES OR OTHER NON-HISTORIC BASES. (NOTE: WE STILL WISH TO RECEIVE INFORMATION ON OTHER BILATERALS. ACTUAL QUANTITIES AGREED UPON BY YEAR AND GROWTH FACTORS WOULD BE OF SPECIAL INTEREST, ESPECIALLY THOSE FOR MEXICO, HAITI AND COLOMBIA).

7. I BELIEVE THAT THE MAIN STUMBLING BLOCK IS NOW A COMBINATION OF RESISTANCE FROM THE ISCE AND ITS DIRECTOR, MILIAN, COUPLED WITH PRESSURES FROM HIS NATURAL CONSTITUENCY IN THE 807 INDUSTRY. (FOR EXAMPLE, AMONG OPTIONS GIVEN THE FOREIGN MINISTRY BY CABLE FROM AMBASSADOR BERTRAND GALINDO FOR DEALING WITH THE U.S. ON TEXTILES WAS THAT OF HIRING U.S. LAWYER DANIELS FOR \$1,000 PER MONTH AS A LOBBYIST FOR EL SALVADOR).

8. IT NOW IS, APPARENTLY, A QUESTION OF WAITING FOR A REPLY FROM BORGONOVO, HOWEVER, I DO NOT BELIEVE WE SHOULD WAIT TOO LONG AND HOPE THE DEPARTMENT WILL SUPPORT MY END OF JUNE APPROACH. HOPEFULLY, THE GOES WILL DECIDE TO CONCLUDE THE AGREEMENT AS IT IS. HOWEVER, SHOULD THE GOES DECIDE NOT TO DO SO, IN EFFECT THEY WILL BE CALLING OUR HAND. I HAVE ATTEMPTED TO FORCEFULLY AND CAREFULLY PRESENT THE DEPARTMENT'S POSITION AS GIVEN IN ITS 136604. I ASSUME THAT THE GOES CHOSE NOT TO CONCLUDE AGREEMENT WE ARE, AS INDICATED IN THAT CABLE, PREPARED TO INVOKE ARTICLE 3 OF THE MFA. I ALSO ASSUME THAT WE HAVE A STRONG CASE ON WHICH TO BASE SUCH AN ACTION AND THAT THE RESTRAINT LEVELS WE WOULD APPLY WOULD IN FACT BE LESS FAVORABLE TO EL SALVADOR THAN THOSE LEVELS SET IN THE JANUARY MEMORANDUM OF UNDERSTANDING. HAVING NOW MADE THE CONFIDENTIAL

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DEPARTMENT'S CASE STRONGLY BEFORE THE FOREIGN MINISTER, I BELIEVE THAT A FAILURE BY US TO INSIST ON A REASONABLE DEADLINE WILL WEAKEN MY ABILITY TO SUPPORT THIS AND SIMILAR POSITIONS WITH THE MINISTER ON FUTURE OCCASIONS. EVEN MORE TO THE POINT, SHOULD THE GOES CHOOSE NOT TO CONCLUDE AN AGREEMENT I WILL EXPECT THE DEPARTMENT TO INVOKE ARTICLE 3 OF THE MFA AND BE ABLE TO SUPPORT THAT ACTION IN GENEVA. SHOULD THE GOES CALL OUR HAND AND WE HAVE FOUND TO HAVE BEEN BLUFFING IT WOULD BE MOST HARMFUL TO MY CREDIBILITY HERE. PLEASE RECONFIRM BY CABLE THAT THE DEPARTMENT IS IN AGREEMENT WITH THE ABOVE POSITION.
CAMPBELL

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